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ABSTRACT

The U.S. Government Accounting Office (GAO) evaluated how well divisions in the Departments of the Air Force, Army, and Navy and the Veterans Administration have implemented performance appraisal systems for blue-collar employees. The study found that in the four agencies visited, performance appraisal systems were in place; however, problems existed, particularly with performance standards. The GAO reviewed 84 performance plans applicable to 5,843 employees at the locations visited and found that one or more of the standards in 54 of these plans were not clear, did not distinguish among all levels of performance, or were based on uncontrollable external factors. In addition, some of these standards were not used to measure performance and in some cases were inappropriately based on personal traits. To a lesser extent, problems were also noted in communicating standards to employees in a timely manner and providing employees with performance feedback. Although agencies have conducted evaluations of performance appraisal systems and have identified deficiencies, evaluations by local authorities, where closer contact with the work and the standards for performing the work exist, were generally not occurring. The GAO recommended that the Secretaries of the Air Force, Army, and Navy and the Administrator of Veterans Affairs ensure that local authorities conduct evaluations of performance appraisal systems and correct deficiencies. All of the agencies agreed with the findings and said they were planning activities to address the shortcomings identified in the report; however, specific plans were often lacking. (KC)

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United States General Accounting Office

GAO

Report to Agency Officials

June 1987

ED287026

BLUE-COLLAR WORKERS

Appraisal Systems Are in Place, but Basic Refinements Are Needed

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GAO

United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-209522

June 18, 1987

The Honorable Edward C. Aldridge, Jr.
The Secretary of the Air Force

The Honorable John O. Marsh, Jr.
The Secretary of the Army

The Honorable James H. Webb, Jr.
The Secretary of the Navy

The Honorable Thomas K. Turnage
Administrator of Veterans Affairs

This report evaluates how your agencies have implemented performance appraisal systems for Federal Wage System (blue-collar) employees. It is the latest in a series of reviews conducted in compliance with the requirements in the Civil Service Reform Act of 1978 that we review and report on the effectiveness of agencies' performance appraisal system operations.

This report contains a recommendation to you on page 22. As you know, the head of a federal agency is to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report as required by 31 U.S.C. 720.

We are sending copies of this report to the Director, Office of Management and Budget; the Director, Office of Personnel Management; and other interested parties, including the congressional committees with jurisdiction over federal employee matters.

W.J. Anderson

William J. Anderson
Assistant Comptroller General

Executive Summary

Purpose

The Civil Service Reform Act of 1978 requires federal agencies to develop and establish systems to appraise the job performance of their employees. The act also requires GAO to review agencies' performance appraisal systems and report on the effectiveness of their operations.

This report evaluates how well activities in the Departments of the Air Force, Army, and Navy, and the Veterans Administration have implemented performance appraisal systems for blue-collar employees. As of September 1986, approximately 450,000 of these employees worked for the government and about 80 percent were in the four agencies GAO reviewed.

Background

When the Civil Service Reform Act was passed in October 1978, Congress envisioned that performance appraisals would provide employees useful feedback on how well they did their jobs in relation to management's expectations. Congress also expected that these appraisals would provide management with a reliable basis for making various personnel decisions, such as promotions, awards, reassignments, and removals.

The Office of Personnel Management (OPM) requires that agencies' systems include work standards for measuring job performance, progress reviews during the appraisal period, and evaluations of job performance. OPM also requires agencies to continuously review and assess the manner in which appraisal functions are carried out and to make improvements where needed.

Results in Brief

The agencies GAO visited have performance appraisal systems in place; however, problems existed, particularly with performance standards. Problems included standards which were not clearly stated, did not distinguish among all levels of performance, or were based on uncontrollable external factors.

Principal Findings

Performance appraisal systems for federal white-collar employees have been the subject of a number of reviews that identified problems with the adequacy of standards and the performance appraisal process. During this review of blue-collar appraisal systems, GAO discovered similar problems. GAO reviewed 84 performance plans applicable to 5,843 employees at the locations it visited and found that one or more of the standards in 54 of these plans were not clear, did not distinguish among

all levels of performance, or were based on uncontrollable external factors. Also, some of these standards were not used to measure performance and, in some cases, were inappropriately based on personal traits. (See p. 10.)

To a lesser extent, problems were also noted in communicating standards to employees in a timely manner and providing employees with performance feedback. (See p. 15.)

OPM and the agencies have conducted evaluations of performance appraisal systems and have identified deficiencies. However, evaluations by local activities, where closer contact with the work and the standards for performing the work exist, were generally not occurring. One of the eight activities GAO reviewed had initiated a formal review of performance standards. (See p. 20.)

Recommendation

In order to improve the manner in which agencies monitor performance appraisal systems and evaluate their effectiveness, GAO recommends that the Secretaries of the Air Force, Army, and Navy, and the Administrator of Veterans Affairs ensure that local activities conduct evaluations of performance appraisal systems and correct deficiencies. Such evaluations should pay particular attention to the types of deficiencies GAO found as well as those cited in other evaluations. (See p. 22.)

Agency Comments

All the agencies agreed with GAO's findings and recommendation. They said they had completed or were planning various initiatives to address the shortcomings identified in the report. However, in their comments, DOD and, to a lesser degree, VA were silent as to the specific actions they plan to take to ensure that local activities implement the prescribed policies and procedures for evaluating performance appraisal systems so that deficiencies can be identified and corrected. (See p. 22.)

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Abbreviations

DOD	Department of Defense
GAO	General Accounting Office
GS	General Schedule
IAG	Interagency Advisory Group
OPM	Office of Personnel Management
VA	Veterans Administration

Introduction

The Civil Service Reform Act of 1978 (5 U.S.C. 4302) requires federal agencies to develop and establish appraisal systems that provide employees with feedback on how well they carry out their job responsibilities in relation to management's expectations. The act gave agencies considerable latitude in designing such systems, requiring only that they

- provide for periodically appraising the job performance of employees;
- encourage employee participation in establishing performance standards; and
- use the results of performance appraisals as a basis for decisions on training, rewarding, reassigning, promoting, reducing in grade, retaining, and removing employees.

The act directs the Office of Personnel Management (OPM) to offer technical assistance to agencies in developing performance appraisal systems and to review the systems to determine whether they met statutory requirements. In addition to the requirements placed upon OPM, the act requires us to review, on a selected basis, the performance appraisal systems that the agencies established. This review—the latest in a series of reviews that we have conducted on appraisal systems for various groups of federal employees—assesses the performance appraisal systems for blue-collar employees covered by the Federal Wage System. A listing of prior reports we issued on performance appraisal systems is included in appendix I.

Description of the Federal Wage System and Employee Occupations

The Federal Wage System is a classification and pay system for all employees in positions traditionally referred to as blue-collar, for which trade, craft, or laboring experience and knowledge are the most important requirements. There are about 372 blue-collar occupations in the federal government.

According to OPM, approximately 450,000 blue-collar employees were included under the performance appraisal systems of the agencies covered by the Civil Service Reform Act as of September 1986. Their occupations include a variety of crafts and trades, such as mechanics, machinists, electricians, sheet metal workers, and painters.

Objective, Scope, and Methodology

Our objective was to determine how well agencies have implemented performance appraisal systems for blue-collar employees.

We did our work at four agencies—the Departments of the Air Force, Army, and Navy, and the Veterans Administration (VA). According to OPM, as of September 1986, these four agencies employed approximately 80 percent of the government's blue-collar employees.

We conducted work at each of the four agencies' headquarters in Washington, D.C., and at the following eight field activities.

Table 1.1: Field Activities Where GAO Conducted Audit Work

Agency	Activity	Location
Air Force	Ogden Air Logistics Center Hill Air Force Base	Ogden, Utah
	San Antonio Air Logistics Center Kelly Air Force Base	San Antonio, Texas
Army	Letterkenny Army Depot	Chambersburg, Pennsylvania
	Tooele Army Depot	Tooele, Utah
Navy	Naval Air Rework Facility	Norfolk, Virginia
	Naval Air Rework Facility	Cherry Point, North Carolina
Veterans Administration	VA Medical Center	Denver, Colorado
	VA Medical Center	Richmond, Virginia

We interviewed officials who were responsible for implementing appraisal systems agencywide. Also, to obtain information on various aspects of agencies' appraisal systems from employees and supervisors, we contacted 319 employees and 118 supervisors at the eight field activities we visited. These people were judgmentally chosen from various blue-collar occupational series at each location. For 312 of the 437 employees and supervisors we contacted, we reviewed performance appraisal files. These files included employees' performance plans, which are documents identifying the work employees are expected to perform, and the appraisals they received. The 312 files were judgmentally selected to provide a mix of blue-collar occupations at the eight activities we visited.

To assess the extent to which performance standards met statutory and regulatory requirements, we analyzed the standards contained in 84 performance plans which were applicable to about 5,800 blue-collar employees. Table 1.2 shows a breakdown by agency of the number of employees covered by the performance plans we reviewed.

Table 1.2: Performance Plans Analyzed at the Locations Visited

	Navy	Army	Air Force	VA	Total
Performance plans reviewed	20	21	20	23	84
Total personnel covered by plans	1,721	485	3,352	285	5,843
Total blue-collar personnel at sites visited	4,372	5,503	16,242	709	26,826

The objective of our analysis was to assess the quality of performance standards used at the eight field activities. We determined whether the standards in the 84 plans contained OPM's characteristics of good performance standards as stated in Chapter 430 of the Federal Personnel Manual by assessing whether they

- contained measures that specified how well the employee should perform or how accurate performance must be;
- contained measures stating the quantity of work to be accomplished;
- indicated how soon or when tasks should be completed; and
- differentiated between levels of performance, such as between outstanding and highly satisfactory (or next lowest level), between satisfactory and marginally satisfactory (or next lowest level), etc.

Because we found it impractical to use random sampling techniques, the results of this work cannot be projected to the total universe of blue-collar employees and supervisors in the agencies or field locations visited, nor can the results be projected governmentwide. However, agency officials at the headquarters level said that the blue-collar performance appraisal systems at the eight activities we visited would provide a typical representation of appraisal system operations for blue-collar employees throughout each agency. Therefore, we believe our analyses provided us with an informed perspective on the performance appraisal process for federal blue-collar workers.

Our review, which was conducted in accordance with generally accepted government auditing standards, took place during the period between March and December 1985. Agency comments received in April 1987 indicated that the results of our work were still current.

The Mechanisms for Appraising Employee Performance Are Generally in Place, but Improvements Are Needed

Performance appraisal systems for federal white-collar employees have been the subject of a number of reviews that identified problems with the adequacy of standards and the performance appraisal process. During this review of blue-collar appraisal systems, we discovered similar problems. We found that some standards lacked quality in that they were not clear, did not distinguish among all levels of performance, or were based on uncontrollable external factors. Also, standards were not always used to measure performance and, in some cases, were inappropriately based on personal rather than performance traits. We also found that procedures to provide employees with early notification of performance expectations and timely feedback of performance-related information were not always adhered to.

The Quality of Standards Needs Improvement

The Federal Personnel Manual requires performance standards to be (1) clearly stated, (2) performance-related rather than trait-related, and (3) measurable.

We analyzed the standards contained in 84 performance plans that were applicable to about 5,800 blue-collar employees at the locations we visited. We found that one or more of the standards in 54 of these 84 plans were questionable because they either:

- did not clearly state expected job performance,
- were trait-related rather than performance-related,
- did not distinguish among levels of performance, or
- were based on uncontrollable external factors.

Employees' appraisals were derived from a summary of the ratings they received on individual standards contained in their plans. Thus, one inadequate standard in a performance plan could affect the credibility of employees' performance appraisals. For this reason, we did not attempt to determine the total number of standards that were in need of improvement in the plans we reviewed. We believed that by showing the existence of inadequate standards, sufficient evidence was presented to demonstrate the need for improvement in this area.

Not All Standards Clearly Stated Expected Job Performance

The Federal Personnel Manual requires that performance standards clearly state expected job performance. We found some standards which did not meet this requirement, as illustrated in the following examples.

A critical element[1] for an electronics worker was to perform maintenance and repair of electronic components. The performance standard at the satisfactory level stated that all assignments will be completed within 92 to 97 percent of the established time standard. Since the time standard represents the time it should normally take to complete a job, the performance standard, as written, required that all assignments be completed in less than the normal time for the worker to receive a satisfactory rating. Because such a high level of performance would appear to warrant a rating above the satisfactory level, the standard was probably intended to require that 92 to 97 percent of all assignments be completed within the established time standard.

A critical element for a warehouse worker foreman dealt with supply management. The satisfactory standard was "receipts processed within established timeframes. No more than 2 to 4 completed per year." As written, this standard appears unrealistic in that the employee only needs to complete two to four receipts a year within established time frames in order to receive a satisfactory rating. It was probably intended to mean that the employee could not exceed four instances of missing the established timeframes for processing receipts.

An electrician's critical element was performing journeyman electrical duties. The performance standard at the outstanding or highest level was "acceptable failures per year to perform work at journeyman level." The standard is incomplete in that it does not indicate the number of failures that are acceptable.

Standards Were Not Always Performance-Related

The Diagnostic Guide for Improving the Quality of Performance Elements and Standards[2] emphasizes that in order to have meaningful and measurable performance standards, they should be performance-related. Furthermore, the Federal Personnel Manual states that the use of personal traits (e.g., attitude) as a means of assessing performance

[1]A critical element is a component of an employee's job of sufficient importance that performance below the minimum standard (usually a standard written to describe satisfactory performance) requires remedial action and denial of a within-grade increase; it may be the basis for removing or reducing the grade level of the employee. A noncritical element is also an important aspect of the employee's work but failure to achieve the minimum standard does not require remedial action.

[2]The Guide was prepared in July 1982 by the Interagency Advisory Group (IAG) Subcommittee on Improving the Quality of Elements and Standards. The Subcommittee is part of the IAG Committee on Performance Appraisal, an OPM-sponsored group comprised of agency personnel directors, their representatives, and line managers, formed to provide a forum for sharing information about performance appraisal systems and techniques.

does not meet statutory requirements unless they are clearly performance-related and can be documented and measured. The use of traits can make it difficult to separate the person from the job, which is a critical distinction in an objective performance appraisal system.

We found standards that were based inappropriately on personal traits as shown in the following examples.

The standard for a heavy mobile equipment mechanic: "No more than 1-2 occasions per year when . . . a subjourneyman has to be counselled for not functioning diligently, cooperatively, and communicating as a team member." It appears that a supervisor would find it difficult to define or objectively measure performance using such traits as diligence, cooperativeness, and communication as a team member.

The standard for a woodworker: "Employee should support community and organization sponsored events and special interest programs." The standard further stated that to meet this standard, the employee must either participate in such programs as the Combined Federal Campaign and blood drives, or at least not openly object to them.

The woodworker also had the following standard: "Attends all meetings as scheduled and reflects a positive organizational image at such meetings."

The personal traits expected under these standards are not clearly performance-related, and it is not clear how a supervisor could measure job performance using them.

Standards Did Not Always Distinguish Among All Levels of Performance

According to OPM guidance, performance standards should be written to clearly distinguish among performance levels so that supervisors can determine whether an employee's performance exceeded, met, or did not meet the standard. Written standards are not required at all performance levels. For example, an agency could write a standard for highly satisfactory but not for outstanding. However, in such situations, it should be clear when performance would exceed the standard for highly satisfactory so that it can be rated at the outstanding level. This same principle applies to other performance levels used by the agency.

We found standards that did not clearly distinguish among all levels of performance as shown in the following examples.

The standard for highly satisfactory performance specified for an electronic measurement equipment mechanics foreman was as follows: "Scheduled work inducted into shop with no delays." [Underscoring supplied.] The standard for the marginal level was "induction of incoming work into shop is delayed." [Underscoring supplied.] The standards for other performance levels were not specified. As written, the two standards do not allow for performance at the satisfactory or any other level because there is no performance level possible other than "delays" and "no delays." An official at this field activity said that the same standards were included in the performance plans of all the activity's first-line supervisors.

The standard for a pneumatic systems mechanic foreman at the highly satisfactory level was "jobs completed with virtually no additional manhours over that projected." The only other standard specified was for the marginal level of performance, and it was "jobs completed exceed manhours over that projected." These standards do not enable a rater to determine how performance at any other level could be achieved.

A boiler plant equipment mechanic had standards written at two levels. The standard for the far exceeded level was "zero failures to perform necessary emergency repairs on the boiler plant and auxiliary equipment." The standard for the satisfactory performance level was "one failure to perform." As written, the performance level between these two levels (i.e., highly satisfactory) cannot be achieved.

Standards Were Based on Uncontrollable External Factors

According to the Guide, the ability to achieve each performance standard should be within the employee's control, and external factors should not affect the employee's ability to meet the standard. If they do, the employee's own performance cannot be accurately evaluated.

We found standards for supervisors included in our analysis that contained external factors beyond the supervisor's control. Examples of such standards follow:

- Present performance awards to three or four employees.
- Recognize 50 to 55 percent of workforce for high achievement.
- Achieve a sick leave usage rate of 56 to 60 hours per employee by the end of the rating period.

These standards demonstrate the problem of measuring performance using uncontrollable factors. In the first two examples, the stated

number of employees may not deserve awards or recognition for high achievement. Similarly, a supervisor has limited control over subordinates' sick leave usage.

Standards Were Not Always Used to Measure Performance

As discussed previously, the Federal Personnel Manual requires that performance standards be measurable. Furthermore, the Guide cautions that if performance cannot be accurately measured, the supervisor will be unable to make a true assessment of an employee's performance against established requirements. Accordingly, the Guide states that methods for monitoring and measuring standards should be practical in terms of cost, time, and availability of data. Further, the Guide suggests that if quantity or quality standards are expressed in percentage terms, there should be an accurate way to measure performance.

In this regard, we noted that at three of the field activities we visited, standards contained percentages, but there was no system for accumulating the information needed to determine individual employees' performance. Agency personnel officials told us that performance standards may appear objective and quantifiable; however, adequate consideration may not have been given to identifying measurement methods.

We discussed various methods of measuring employee performance against standards with 36 supervisors. The supervisors were judgmentally selected to provide a mix of blue-collar occupations at the eight activities we visited. Of the 36 supervisors we interviewed,

- 14 said they did not measure employees' performance against quantified standards when preparing performance appraisals,
- 9 said they assessed performance by observation and other information,
- 6 said they could use standards to measure performance only to a limited extent, and
- 7 said they measured performance by the standards in the performance plans and by observation.

Reasons for performance measurement problems cited by the supervisors included:

- Supervisors were responsible for appraising too many employees to be able to monitor performance for each employee.
- Some activitywide standards were not useful because they were not tailored to specific shop conditions.

- It was difficult to determine which employees were responsible for errors.

OPM guidance suggests that the adequacy and availability of systems to provide measurement data during standards development be considered in order to avoid standards which are not cost effective or impose an excessive administrative burden. It also states that standards should not contain numbers or percentages if a tracking system does not exist to provide measurement data. An OPM official said that if resources are not committed to tracking performance and measuring it against the standards, the standards are useless.

Not All Employees Were Informed of Their Performance Expectations in a Timely Manner

According to the Federal Personnel Manual, standards and elements should be discussed with the employee at the beginning of the appraisal period which usually lasts 1 year, and they should be in writing. The Federal Personnel Manual states that effective two-way communication about a job before the appraisal period begins can provide the opportunity to identify and promptly resolve any misunderstandings between the supervisor and employee. Civilian personnel officials and supervisors we interviewed said that it is important to communicate standards so that the employees know what is expected of them.

Army, Navy, Air Force, and VA regulations address the issue of communicating standards. Navy and VA regulations say that employees will be informed of their standards before the beginning of the appraisal period. Army and Air Force regulations say that the standards will be communicated at the beginning of the appraisal period.

Because there were no definitive criteria in the act or OPM guidelines, for our review we considered 30 days after the beginning of the appraisal period to be a reasonable time in which to communicate standards to the employees. Based on our review of performance plans and appraisals where a determination could be made, 283 out of 287 employees were informed of their performance expectations. However, 85 were not informed within 30 days. Furthermore, 47 of the 85 employees received their standards over 90 days into the appraisal period. The performance plans and appraisal forms for 25 employees did not have the data needed to determine whether they were informed of their performance expectations.

At one field activity, four employees filed grievances alleging that regulations and the labor management agreement were violated because they

had not been given the performance plan containing their standards. Union officials and a civilian personnel official told us about the following two cases.

- A grievance was filed by an employee because he had not received his standards. While investigating this complaint, officials found that the supervisor of this employee had not prepared performance plans for 19 employees. Therefore, these 19 employees could not be appraised at the end of the normal cycle. Instead, they were appraised based on a subsequent 120-day period after they were given their standards.
- In another case, three employees filed grievances because a supervisor did not communicate standards. When a personnel officer followed up on the complaints, he found that none of the supervisor's 13 subordinates had performance plans.

Midyear Performance Feedback Was Not Always Given

According to the Federal Personnel Manual, effective interim feedback is an important ingredient of a performance appraisal system. The final results of the appraisal are less likely to come as a surprise to the employee under these circumstances. Navy, Air Force, and Army regulations require that during the performance period, the supervisor hold at least one progress or midyear review with their subordinates. The VA regulation states that supervisors should periodically discuss employees' performance.

Our review of the appraisal files at the field activities we visited showed that midyear reviews were not always held. Of 312 employees examined, 215 received a review; however, 48 did not. We could not determine whether reviews took place for 43 employees and the remaining 6 were in situations which did not warrant reviews (e.g., recent promotions). At one field activity, eight employees filed grievances because midyear performance reviews were not conducted.

Although Performance Appraisals Were Usually Communicated in a Timely Manner, Some Were Not

The Federal Personnel Manual states that appraisals should be communicated in writing with employees promptly following the appraisal period. We found that neither the act nor the OPM regulations specified what "promptly" means; therefore, the agencies' policies varied on when employees should be given their appraisals.

- The Army regulation stated that appraisals should be discussed with employees and are to be submitted not later than 45 days following the end of the rating period.

- The Air Force regulation stated that the supervisor has 30 days to complete and sign the appraisal.
- The VA regulation required that the appraisals be approved within a month after the end of the rating period.
- The Navy regulation is silent as to when the appraisal should be completed; however, the two Navy field activities we visited required that appraisals be discussed within a month after the end of the appraisal cycle.

Our review of performance appraisals at the eight field activities showed that 240 of 312 appraisals were communicated within the agencies' established criteria for approval, communication, or completion of ratings, but 69 were not. We could not determine when the remaining three were communicated. Agency headquarters officials said that appraisals should be communicated promptly, because delays can affect personnel actions and reduce the value of feedback.

An OPM Study Also Found Problems With the Appraisal System for Blue-Collar Employees

In July 1985, after we began our assignment on appraisal processes for blue-collar employees, OPM's Analysis and Evaluation Division began a review to collect basic information on the operation of the performance appraisal program and gain insight into population and performance rating distributions for blue-collar employees. OPM visited five field activities, including one in each of the three military agencies, a VA medical center, and a Defense Logistics Agency activity. According to OPM, the five activities represented 2.6 percent of the blue-collar employee population.

The results of the OPM review were categorized into five general areas related to performance appraisals: (1) performance elements and standards, (2) appraisals of employee performance, (3) links between performance appraisal and personnel actions, (4) program support and effectiveness, and (5) other program information. OPM found several shortcomings with the appraisal system, including

- problems with elements and standards, ranging from supervisors' resentment of having to develop elements and standards to the poor quality of the standards;
- difficulties experienced by supervisors in appraising employee performance, which was attributed to employees reporting to different supervisors for varying lengths of time and supervisors' inability to provide continuous supervision;
- limited program evaluation by the agencies;

- lack of support from supervisors and employees for the performance appraisal program, including a noted resentment on the part of supervisors to implement the program's administrative requirements; and
- a need for more training, particularly in the development of better elements and standards.

Among other things, OPM's August 1985 report recommended that OPM devote attention to helping agencies develop better elements and standards. In a draft of this report, we said that an OPM official informed us that as of September 1986, no action had been taken to implement the recommendations in the OPM report. In commenting on our draft report, OPM said that various actions had been taken which OPM considered adequate to meet the needs its August 1985 report identified. These actions are described on pages 23-24.

Conclusions

A system for appraising employee performance was in place at each agency we visited. However, improvements are needed in the quality of standards and in the timeliness with which employees are informed of their performance expectations and given their performance feedback.

Although we recognize that the process of evaluating employee performance is difficult and that the development of an appraisal system which provides perfect measures of such performance may not be achievable, we believe there is room for improvement. Additional discussion of how such improvements could be achieved is contained in chapter 3.

Agencies Need to Improve Oversight of Their Performance Appraisal Systems

According to the Federal Personnel Manual, one of the essential aspects of a performance appraisal system is a provision for its continuous review, assessment, and when needed, revision. The manual further states that these evaluations should determine whether the performance standards contain OPM's prescribed characteristics of good standards.

Each of the agencies we visited had regulations requiring local level activities to evaluate appraisal system operations. As a rule, however, evaluations were being done only by higher level offices as part of their overall reviews of civilian personnel management functions. These reviews, which included such areas as position management and classification and employee training and development, were being conducted about once every 4 to 6 years.

Local personnel offices are in closer contact with their activities' work and have the opportunity for conducting more frequent reviews of performance standards and implementing corrective actions. However, at the local activities we visited, such reviews were generally not occurring.

Most of the Local Activities We Visited Were Not Assessing Their Performance Standards

Five of the eight local activities we visited had been included in reviews of appraisal systems conducted by agency personnel management groups, and some of these reviews disclosed problems with performance standards. However, at the local level, only one of the eight activities had initiated a formal review of performance standards.

Air Force

In March 1985, the Air Force Civilian Personnel Management Center conducted an evaluation at Hill Air Force Base, Utah, that included the Air Force Logistics Center. The study concluded that nearly half of the 51 performance plans reviewed were deficient in preparation or content. The study also found that some standards were not clearly defined or measurable. As a result of its work, the Management Center recommended that Hill Air Force Base establish quality review committees to review all performance plans and assure their adequacy. A civilian personnel official at Hill said that no one had followed up to ensure that the Management Center's recommendations were implemented.

According to a Management Center official, the Management Center had not done an evaluation at Kelly Air Force Base, Texas. Similarly, according to a Kelly personnel official, no formal studies have been made by the local personnel office.

Army

According to a Center official, the Army Civilian Personnel Center conducted reviews at Tooele Army Depot, Utah, in August 1982 and September 1983. As a result of its first review, the Center reported that performance standards needed improvement. The report noted that there were far too many absolute standards when a range of performance would be preferred. The report also stated that supervisors were not supportive of the performance appraisal system. Some supervisors believed it was too difficult and time consuming to evaluate employees against many of the standards, and that some of the necessary measurement tools did not exist. The second report said that the standards were better but recommended that further improvements be made. Tooele civilian personnel officials said they formally reviewed standards in the past but that they no longer do so. They said, however, that when they learn of a problem with a standard, they inform the supervisors through a civilian personnel quarterly report.

According to a Center official, the Letterkenny Army Depot, Pennsylvania, has not been reviewed by the Personnel Center since a new appraisal system became effective in October 1981. However, Letterkenny personnel office staff undertook a 2-year study of all performance standards in October 1984. The study identified a number of deficiencies relating to the quality of standards, including standards which relate to conduct rather than performance, standards which were difficult to track and measure, and standards which could not be exceeded. According to a civilian personnel official, the study resulted in certain standards and elements being rewritten.

Navy

The Navy Office of Civilian Personnel Management reviewed the Norfolk and Cherry Point Naval Air Rework Facilities in 1985 before the completion of our work. Although we found problems of the type discussed in the previous chapter, the Navy reviews did not disclose any such deficiencies. According to a Norfolk civilian personnel official, the personnel office does not have the resources to review performance standards on a regular basis. A Cherry Point civilian personnel official said that the standards were reviewed when they were first written, and

any revisions will be reviewed, but no other performance appraisal system evaluations are conducted.

Veterans Administration

The VA Personnel Management Evaluation Division did a review of the VA Medical Center in Denver, Colorado, in August 1982. At that time, VA's report stated that appraisal activities were being appropriately carried out. The Evaluation Division has not performed a review at the VA Medical Center in Richmond, Virginia, since a new appraisal system was implemented in 1981. Personnel officials at both Denver and Richmond have done little in the way of reviews of the performance standards. At Denver, they said that they did not feel qualified to assess standards, but would provide support if assistance was requested. The Richmond personnel officer said they do not have the resources to review the content of all performance standards.

Conclusions

Local activity personnel offices are in the best position to monitor their performance appraisal systems and effect improvements, but they have not taken an active role in helping to carry out this function. As a result, evaluations of performance appraisal systems have been sporadic, occurring only about once every 4 to 6 years.

Recommendation

We recommend that the Secretaries of Air Force, Army, and Navy and the Administrator of Veterans Affairs ensure that local activities conduct evaluations of performance appraisal systems and correct deficiencies. Such evaluations should pay particular attention to the types of deficiencies we found as well as those cited in other evaluations that have been performed.

Agency Comments and Our Evaluation

In March 1987, we provided draft copies of this report to DOD and VA to obtain their comments on our findings and recommendation. Because OPM is responsible for assisting agencies in developing their performance appraisal systems and reviewing the systems in operation, we also sent a draft of the report to OPM for its review and comment.

In their comments, DOD, VA, and OPM agreed that problems exist with the performance appraisal systems for blue-collar employees and discussed various actions they had taken or planned to take to address the shortcomings we found.

DOD and VA cited internal policies that require local activities to conduct evaluations of performance appraisal systems. DOD also pointed out that, in September 1987, the Navy plans to release a revision of its current policy which is expected to further emphasize the importance of local evaluations as we recommended.

VA agreed that local personnel offices are in the best position to conduct meaningful performance appraisal system reviews. The agency further said that appropriate steps would be taken to emphasize local facilities' responsibilities for reviewing and evaluating their performance appraisal practices and procedures. According to VA, (1) the conduct of local personnel management evaluations will continue to be reviewed in agency-level personnel management evaluations, and (2) the importance of performance standards will continue to be emphasized through an existing training course.

VA also described actions it had taken to improve the quality of performance standards: (1) the development of a training module for supervisors on writing better standards; (2) the revision of VA's performance appraisal policy to require the development of standards only at the fully successful level which is expected to simplify the process and contribute to the development of better standards; (3) the presentation of a 2-1/2 day course on performance management for VA personnel specialists, given in 1986 and scheduled again for July 1987; and (4) a message to key officials on performance management.

In its comments on the report, OPM also fully supported the need for more evaluations by local activities. OPM acknowledged that centralized leadership—both from OPM as well as agencies' headquarters—is essential to the performance appraisal process, but it is only at the local levels, where supervisors and employees interact daily, that changes can be made.

OPM also said that the problems we found regarding the quality of standards, timely communication with employees about performance expectations, midterm progress reviews, and communication of performance appraisals were significant. OPM described the actions it has taken to assist agencies in correcting these problems. The actions included (1) the January 1986 distribution of several OPM-produced booklets to agency heads and personnel directors, two of which relate to the problems of developing adequate standards and communicating with employees; and (2) the development and approval of new performance appraisal plans

based on OPM's March 1986 publication of revised performance management regulations. The regulations and plans call for greater employee participation in developing elements and standards, provide for the communication of written performance plans to employees at the beginning of each appraisal period, and require that written ratings be given to employees as soon as possible after the end of the appraisal period.

We believe the actions described above enhance the framework within which agencies can make changes to improve various aspects of the performance appraisal process, particularly in the area of performance standards. However, in their comments, DOD and, to a lesser degree, VA were silent as to the specific actions they plan to take to ensure that local activities implement the prescribed policies and procedures for evaluating performance appraisal systems so that deficiencies can be identified and corrected. To better ensure that the performance appraisal process is functioning as objectively and effectively as possible, local activities must maintain constant vigilance to identify and correct weaknesses and headquarters must actively monitor the local activities' actions.

Listing of Prior GAO Reports on Performance Appraisal Systems

Report title and number	Issue date	Employees covered in report
New Performance Appraisals Beneficial But Refinements Needed (GAO/GGD-83-72)	9/15/83	General Schedule
A 2-Year Appraisal of Merit Pay in Three Agencies (GAO/GGD-84-1)	3/26/84	Merit pay
An Assessment of SES Performance Appraisal Systems (GAO/GGD-84-16)	5/16/84	Senior Executive Service

Comments From the Department of Defense

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301-4000

FORCE MANAGEMENT
AND PERSONNEL

21 APR 1987

Mr. Frank C. Conahan
Assistant Comptroller General
National Security and International
Affairs Division
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Conahan:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) Draft Report, "BLUE-COLLAR WORKERS: Appraisal Systems Are In Place But Basic Refinements Are Needed," Dated March 2, 1987 (GAO Code 966191), OSD Case 7240.

The report findings acknowledge that performance appraisal systems are in place and note that improvements can be made in their operation, particularly with respect to the quality and clarity of performance standards. The report also acknowledges that agency level evaluations of performance appraisal systems generally are consistent with the GAO findings. It recommends that local activities give greater emphasis to evaluating performance appraisal systems and to their improvement.

The report is helpful in that it confirms DoD Component internal evaluation findings and provides additional emphasis to improving the operation of performance appraisal systems that apply to the blue-collar work force. The DoD agrees with the recommendation that local activities must continually review their systems and correct deficiencies that are found. Local activities are in the best position to review performance standards and other features on a regular basis and improve them through a continuing process of consultation with supervisors and discussion during on-site supervisor training programs. It would have been helpful to have a more definitive analysis of findings by Agency. The GAO representatives have told us, however, that there were no important distinctions in this regard, indicating that problems identified are primarily systemic in nature rather

than attributable to inadequate implementation or management attention.

Detailed responses to the draft report findings and recommendation are enclosed. The opportunity to review the draft report and provide these comments is appreciated.

Sincerely,

David J. Armor
Principal Deputy

Enclosure:
As Stated

GAO DRAFT REPORT - DATED MARCH 2, 1987
(GAO CODE 966191) OSD CASE 7240

"BLUE-COLLAR WORKERS: APPRAISAL SYSTEMS ARE IN PLACE, BUT BASIC REFINEMENTS ARE NEEDED"

DEPARTMENT OF DEFENSE COMMENTS

* * * * *

FINDINGS

- **FINDING A: Description Of The Federal Wage System And Employee Occupations.** The GAO reported that the Civil Service Reform Act of 1978 ("Act") required Federal Agencies to develop and establish systems to appraise the job performance of their employees, and also required the GAO to review agencies performance appraisal systems and report on the effectiveness of their operations. The GAO noted that the Act gave agencies considerable latitude in designing such systems, requiring only that they

  - provide for periodically appraising the job performance of employees;
  - encourage employee participation in establishing performance standards; and
  - use the results of performance appraisals as a basis for decisions on training, rewarding, reassigning, promoting, reducing in grade, retaining, and removing employees.

  The GAO noted that, in addition, the Act directed the Office of Personnel Management (OPM) to continously review and assess the manner in which appraisal functions are carried out and to make improvements where needed. The GAO noted that the Federal Wage System is a classification and pay system for all employees in positions traditionally referred to as blue-collar, for which trade, craft, or laboring experience and knowledge are the most important requirements. The GAO reported that there are about 372 blue-collar occupations in the Federal Government, and approximately 450,000 blue-collar employees as of September 1986. (p. 1, pp. 7-8/GAO Draft Report)

  DOD RESPONSE: Concur.

Now on p. 6.

Enclosure

- **FINDING B: The Quality Standards Need Improvement.** The GAO reported that the Federal Personnel Manual requires performance standards to be (1) clearly stated, (2) performance-related rather than trait-related, and (3) measurable. The GAO found, however, that the standards contained in 84 performance plans applicable to about 5,800 blue-collar employees at the locations it visited were questionable in 54 of these 84 plans because they either:

  - did not clearly state expected job performance;
  - were trait-related rather than performance-related;
  - did not distinguish among levels of performance; or
  - were based on uncontrollable external factors.

  The GAO also found that standards were not always used to measure performance and, in some cases, were inappropriately based on personal rather than performance traits. (p. 3, pp. 12-30/GAO Draft Report)

Now on pp. 10-15.

DOD RESPONSE: Concur. The Department would like to point out, however, that the finding, which is based on a judgemental sample, includes performance plans for VA employees and, therefore, may not be representative of the DoD.

See comment 1.

- **FINDING C: Not All Employees Were Informed Of Their Performance Expectations In A Timely Manner.** The GAO reported that the Federal Personnel Manual indicates that (1) standards and elements should be discussed with the employee at the beginning of the appraisal period which usually lasts one year, (2) they should be in writing, and (3) states that effective two-way communication about a job before the appraisal period begins can provide the opportunity to identify and promptly resolve any misunderstandings between the supervisor and employee. The GAO found, however, that procedures to provide employees with early notification of performance expectations and timely feedback of performance-related information were not always adhered to. The GAO concluded that because no definitive timeliness criteria is mentioned in the Act or OPM guidelines, the GAO considered 30 days after the beginning of the appraisal period to be a reasonable time in which to communiate standards to employees. The GAO found that based on its criteria, 283 out of 287 employees were

informed of their performance expectations. Only 85 were not informed within 30 days; 47 of the 85 received their standards over 90 days into the appraisal period. In 25 cases data were not available to determine whether they were informed of their performance expectations. (p. 3, pp. 12-21/GAO Draft Report)

Now on pp. 15-16.

DOD RESPONSE: Concur. The report specifies that 283 of 287 employees had been informed of their performance expectations. This represents nearly 99% of the sample and is considered to be quite good. Frequently, there are acceptable reasons for delaying this process, e.g., when new employees are appointed or when a new supervisor is assigned. A uniform time standard, therefore, is not recommended. If it is the GAO position that uniform guidelines are needed the issue should be referred to the OPM.

See comment 2.

- **FINDING D: Midyear Performance Feedback Was Not Always Given.** The GAO reported the Federal Personnel Manual indicates that effective interim feedback is an important ingredient of a performance appraisal system. The GAO found, however, that at some field activities midpoint reviews were not held. The GAO observed, for example, that of the 312 employees it examined, 215 received a midpoint review; however, 48 did not. The GAO could not determine whether reviews took place for 43 employees, and the remaining 6 were in situations that did not warrant reviews (e.g., recent promotions). (P. 3, pp. 22-23/GAO Draft Report)

Now on p. 16.

DOD RESPONSE: Concur.

- **FINDING E: Although Performance Appraisals Were Usually Communicated In A Timely Manner, Some Were Not.** The GAO reported that the Federal Personnel Manual states that appraisals should be communicated in writing with employees promptly following the appraisal period. The GAO found that neither the Act nor the OPM regulations specified what "promptly" means; therefore, the agencies' policies varied on when employees should be given their appraisals. The GAO reported, for example, that:

  - the Army regulation states that appraisals should be discussed with employees and are to be submitted not later than 45 days following the end of the rating period;

- the Air Force regulation states that the supervisor has 30 days to complete and sign the appraisal; and

- The Navy regulation is silent as to when the appraisal should be completed.

The GAO concluded that of the 312 appraisals it evaluated, 240 appraisals were communicated within the agencies' established criteria for approval, communication, or completion of ratings, but 69 were not and 3 could not be determined. (pp. 23-24/GAO Draft Report)

Now on pp. 16-17.

DOD RESPONSE: Concur. It should be noted that the OPM regulations are flexible on this issue and that the current Service guidelines are considered by the Department to be adequate.

See comment 3.

- **FINDING F: An OPM Study Also Found Problems With The Appraisal System For Blue-Collar Employees.** The GAO observed that in July 1985, the OPM also conducted a study on the operation of the performance appraisal program to gain insight into population and performance rating distributions for blue-collar employees. The GAO noted that the results of the OPM study were categorized into five general areas related to performance rating distributions for blue-collar employees, including (1) performance elements and standards, (2) appraisals of employee performance, (3) links between performance appraisal and personnel actions, (4) program support and effectiveness, and (5) other program information. The GAO reported that the OPM study found several shortcomings with the appraisal system, including:

  - problems with elements and standards, ranging from supervisors' resentment of having to develop elements and standards to the poor quality of the standards;

  - difficulties experienced by supervisors in appraising employee performance, which was attributed to employees reporting to different supervisors for varying lengths of time and supervisors' inability to provide continuous supervision;

  - limited program evaluation by the agencies;

  - lack of support from supervisors and employees for the performance appraisal program, including a noted

resentment on the part of supervisors to implement the program's administrative requirements; and

- a need for more training, particularly in the development of better elements and standards.

The GAO observed that the OPM study recommended that the OPM devote attention to helping agencies develop better elements and standards, but as of September 1986, no action had been undertaken by the OPM to implement the recommendations. (pp. 24-25/GAO Draft Report)

Now on pp. 17-18.

DOD RESPONSE: Concur. The DoD acknowledges the findings of the OPM study and notes that they are consistent with the GAO study.

- **FINDING G: Most Of The Local Activities GAO Visited Were Not Assessing Their Performance Standards.** The GAO found that five of the eight local activities it visited had been included in reviews of appraisal systems conducted by agency personnel management groups, and some of these reviews disclosed problems with performance standards. The GAO found, however, that at the local level, only one of the eight activities had initiated a formal review of performance standards. The GAO reported the following results of specific Service reviews of appraisal systems:

  - Air Force. In March 1985, the Air Force Civilian Personnel Management Center conducted an evaluation at Hill Air Force Base, which included the Air Force Logistics Center. The study concluded that nearly half of the 51 performance plans reviewed were deficient in preparation or content. The Air Force study also found that some standards were not clearly defined or measurable. As a result of its work, the Management Center recommended that Hill Air Force Base establish quality review committees to review all performance plans and assure their adequacy. The GAO found, however, that according to a civilian personnel official at Hill informed, no one had followed up to ensure that the Management Center's recommendations were implemented.

  - Army. According to a Center official, the Army Civilian Personnel Center conducted reviews at Tooele Army Depot in August 1982 and September 1983. As a result of its first review, the Center found that performance standards

needed improvement. The report observed that there were far too many absolute standards, when a range of performance would be preferred. The report also stated that supervisors were not supportive of the performance appraisal system--i.e., that some supervisors believed it was too difficult and time consuming to evaluate employees against many of the standards, and that some of the necessary measurement tools did not exist. The second report found that the standards were better, but recommended that further improvements be made. Tooele civilian personnel officials advised the GAO that they formally reviewed standards in the past, but that they no longer do so. They stated, however, that when they learn of a problem with a standard, they inform the supervisors through a civilian personnel quarterly report.

- Navy. The Navy Office of Civilian Personnel Management reviewed the Norfolk and Cherry Point Naval Air Rework Facilities in 1985 before the completion of the GAO work. Although, the GAO found problems of the type discussed in the previous findings, the Navy reviews did not disclose any such deficiencies. The GAO reported that, according to a Navy official, the Norfolk personnel office does not have the resources to review performance standards on a regular basis. (pp. 28-29/GAO Draft Report)

Now on pp. 20-22.

DOD RESPONSE: Concur. It should be noted that personnel management evaluations conducted by Service Headquarters concentrate their follow-up activities on fundamental merit system improprieties such as incorrect appointment or position classification actions. Other matters, such as performance systems involving judgement or improvement of systems that are operating in a generally acceptable ways normally are reviewed during the next regular scheduled evaluations. The Navy evaluation at Norfolk and Cherry Point, for example, failed to disclose any of the deficiencies found there by the GAO. Navy evaluation officials report that these evaluations included a review of performance appraisals and attribute the difference to the possible use of different evaluation criteria or to the selection of a different sample, in terms of size or composition.

See comment 4.

RECOMMENDATION

- **RECOMMENDATION:** The GAO recommended that the Secretaries of Air Force, Army and Navy ensure that local activities conduct evaluations of performance appraisal systems and

Now on p. 22.

correct deficiencies. (The GAO observed that such evaluations should pay particular attention to the types of deficiencies GAO found as well as those cited in other evaluations that have been performed.) (pp. 3-4, p. 30/GAO Draft Report)

Discussed on pp. 22-23.

DOD RESPONSE: Concur. Army and Air Force policies (DA Regulation 690-400, Chapter 430, and AF Regulation 40-452) currently require local activities to conduct performance appraisal evaluation. The Navy regulation (CPI 430) contains detailed guidelines for activities to follow and a revision to this policy, planned for release in September 1987, is expected to provide further emphasis on local evaluation as GAO recommends.

The following are GAO's comments on the Department of Defense's letter dated April 21, 1987.

GAO Comments

1. We met with DOD officials to discuss the comments on the draft report. We informed them that about 75 percent of the questionable performance plans were applicable to DOD employees.

2. We agree that in certain circumstances, such as the ones DOD described, flexibility in providing employees their performance expectations can be appropriate. In pointing out delays in the process, we did not suggest that a uniform time period in which all employees must receive their expectations was necessary, regardless of the circumstances. No definitive governmentwide criteria exists on when employees should receive their expectations, only OPM's requirement that this practice be done in a "timely" manner. Absent an OPM definition of "timely," agencies may wish to include in their regulations a more specific definition of what "timely" means.

3. Of the three Defense agencies we reviewed, only the Navy did not specify a time period as to when appraisals should be completed. We have since learned from a Navy official that a new performance appraisal system plan is being developed that will require employees to receive their appraisals within 30 days after the end of the appraisal period.

4. As part of our audit work, we examined agencies' policies for conducting evaluations of their performance appraisal functions and the results of the evaluations, where applicable. We did not assess the means by which the evaluations were performed. Thus, we do not know why the Navy evaluations did not disclose any of the deficiencies we found.

Comments From the Veterans Administration

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

Office of the Administrator of Veterans Affairs

Washington DC 20420

Veterans Administration

MAR 31 1987

Mr. Richard L. Fogel
Assistant Comptroller General
Human Resources Division
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Fogel:

Your March 2, 1987, draft report BLUE-COLLAR WORKERS: Appraisal Systems Are in Place but Basic Refinements Are Needed has been reviewed. This report states that the Veterans Administration (VA), as well as other agencies the General Accounting Office (GAO) reviewed, has regulations prescribing local-level self-evaluations of its appraisal system. However, GAO states only higher level offices were performing these evaluations and not as frequently as is desirable. The GAO concluded that improvements are needed in the quality of standards and in the timeliness with which employees are informed of their performance expectations and given their performance feedback.

We concur in the recommendation that I ensure that local activities conduct evaluations of performance appraisal systems and correct deficiencies. The evaluations should pay particular attention to the types of deficiencies GAO found. More detailed comments on the report and actions accomplished or planned to implement the recommendation appear in the enclosure.

Sincerely,

THOMAS K. TURNAGE
Administrator

Enclosure

ENCLOSURE

VETERANS ADMINISTRATION COMMENTS ON THE
MARCH 2, 1987, GAO DRAFT REPORT BLUE-COLLAR WORKERS:
APPRAISAL SYSTEMS ARE IN PLACE BUT BASIC REFINEMENTS ARE NEEDED

The Veterans Administration was aware of a number of the problems cited in the GAO report and has taken the following steps to improve the quality of performance standards for all Agency employees:

-- The Chief of Staff has sent a message to key officials concerning performance management.

-- A training module for supervisors on writing better performance standards has been developed.

-- A 2 1/2-day course on performance management for Agency personnel specialists was presented in 1986 and is scheduled again for July 1987.

-- The performance appraisal policy covering employees who are not in the Performance Management and Recognition System was recently revised and will be implemented in April 1987. This policy requires development of performance standards only at the fully successful level of performance. This will simplify the appraisal process and should ultimately contribute to the development of better performance standards.

Discussed on p. 23.

Although we believe the GAO report overlooks some of the practical problems inherent in the development of standards, particularly those for Federal Wage System employees, we agree that local personnel offices are in the best position to conduct meaningful performance appraisal system reviews. The VA Manual MP-5, Part I, Chapter 275, Program Evaluation, establishes policy and procedures for personnel program evaluation and assigns responsibility for personnel management to field station directors. We believe this is a sound framework for implementing the GAO recommendation.

See comment 1.

Discussed on p. 23.

Appropriate steps will be taken to emphasize the local facilities' responsibilities for reviewing and evaluating their performance appraisal practices and procedures. The conduct of local personnel management evaluations (PME's) will continue to be reviewed in Agency-level PME's. We will also continue to emphasize the importance of performance standards in our Performance Management Training Course.

Discussed on p. 23.

The following are GAO's comments on the Veterans Administration's letter dated March 31, 1987.

GAO Comments

1. As discussed on page 18 of the report, we agree that the process of evaluating employee performance, including the development of standards, is difficult, but improvements are possible.

Comments From the Office of Personnel Management

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

Office of the Director

UNITED STATES
OFFICE OF PERSONNEL MANAGEMENT
WASHINGTON, D.C. 20415

APR - 6 1987

Mr. Charles A. Bowsher
Comptroller General
United States General Accounting Office
Washington, D. C. 20548

Dear Mr. Bowsher:

Thank you for the opportunity to comment on the draft report Blue-Collar Workers: Appraisal Systems Are In Place But Basic Refinements Are Needed. The report appears to be a thorough and comprehensive examination of the implementation of performance appraisal systems for Federal Wage System employees in the sites you visited. We are particularly pleased that you examined the systems with respect to their compliance with two of OPM's key guidance documents: Chapter 430 of the Federal Personnel Manual and The Diagnostic Guide for Improving the Quality of Performance Elements and Standards.

We believe that the problems you discovered regarding quality of standards, timely communication with employees about performance expectations, mid-term progress reviews, and communication of performance appraisals are significant ones. We fully support your proposed recommendation that the Secretaries of Air Force, Army, and Navy and the Administrator of Veterans Affairs ensure that local activities conduct evaluations of performance appraisal systems and correct deficiencies. While centralized leadership from OPM and the headquarters of agencies is essential to effective performance appraisal, it is only at the local levels, where supervisors and their employees interact daily, that changes can be made.

Discussed on pp. 22-23.

Since your review was undertaken between March and December of 1985, OPM and the agencies have undertaken several major efforts which should contribute to correcting the problems you noted. In January 1986, we distributed to heads of agencies and directors of personnel copies of several OPM-produced booklets, two of which are directly relevant to the problems of developing adequate standards and communicating

with employees. Those booklets, Developing and Evaluating Elements and Standards: An Information Guide for Managers and The Performance Interview are written in layman's terms, easily understandable and useful to supervisors of Wage System employees. These have received widespread use and we plan to reprint them and make them available through the GPO rider system.

Since your field work was completed OPM has published revised performance management regulations and developed new performance appraisal plans based on those regulations. The revised regulations were published on March 11, 1986, and, by the end of the 1986 fiscal year over 90% of agencies had OPM-approved plans covering Federal Wage System employees. The regulations and plans call for greater employee participation in developing elements and standards, provide for the communication of written performance plans to employees at the beginning of each appraisal period, and require that written ratings be given to employees as soon as possible after the end of the appraisal period.

Discussed on pp. 22-24.

We wish to clarify one statement in the draft report. On page 25, you indicate that OPM officials informed you, in September of 1986, that no action had been taken to implement the recommendations of OPM's Analysis and Evaluation Division's August 1985 report. No specific plan of action was initiated in response to that report because we considered that the actions described above, e.g., the distribution of booklets on performance standards and interviews, the revised regulations, and the development and approval of new performance appraisal plans covering Federal Wage System employees adequately met the needs identified in that report.

Now on p. 18.

Discussed on p. 18.

We appreciate this opportunity to comment on the draft report.

See comment 1.

Sincerely,

Constance Horner

Constance Horner
Director

The following are GAO's comments on the Office of Personnel Management's letter dated April 6, 1987.

GAO Comments

1. We believe that OPM's initiative in issuing guidance booklets, publishing revised performance management regulations, and developing new performance appraisal system plans provides a framework within which improvements—particularly in the development of performance standards—can be made. However, as the agency responsible for oversight of governmentwide performance appraisal activities, OPM is also responsible for ensuring that the agencies have taken steps to address the specific problems identified in the OPM report.

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